

UNNUMBERED LETTERS ISSUED FOR THE MONTH OF SEPTEMBER 2003

Dated	Subject	Distribution
09-02-03	Administrative Budget Teleconference	S/D
	Administrative Budget Teleconference	N.O.Officials
	Rural Development Safety and Health Program and Workplace Surveys	RD Employees
09-03-03	Intermediary Relending Program Final Round Funding	S/D
	Rural Business Enterprise Grant Program Technical Assistance for Rural Transportation Systems Fiscal Year 2003	S/D
09-09-03	Proper Chain of Custody for Documentation Direct Single Family Housing Loans	S/D
09-12-03	Changes to Bank of America's Travel Card Application and Closed Account Procedures	RD Employees
09-15-03	Rural Business-Cooperative Service Fiscal Year 2002 National Training Meeting	S/D
09-18-03	Interest Rate for Direct Business and Industry Loans	S/D, RDM, CDM
09-22-03	Rural Business Enterprise Grant Program Native American Earmark Fiscal Year 2003 Second Funding Cycle Selections	S/D
	Rural Business Opportunity Grant Program Native American Earmark Fiscal Year 2003 Funding Selections	S/D
	Interest Rates for Community Facilities	S/D, RDM, CDM
	Use of Dun and Bradstreet Data Universal Numbering System	S/D

Dated	Subject	Distribution
09-23-03	Interest Rates for Water and Waste Disposal Loans, Watershed Protection and Flood Prevention Loans, and Resource Conservation and Development Loans	S/D, RDM, CDM
	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D, RDM, CDM
09-24-03	Bank of America Software Upgrade	S/D
09-25-03	Business and Industry Guaranteed Loan Program Appraisals and Appraisal Review Checklist	S/D
09-29-03	Business and Industry Guaranteed Loan Program Access to Project Sites	S/D

September 2, 2003

SUBJECT: Administrative Budget Teleconference

TO: Rural Development State Directors

ATTN: administrative Program Directors

A teleconference has been scheduled for **Tuesday, September 9, 2003, from 2:00 p.m. to 3:30 p.m. EDT**. To connect to the teleconference, please call **703-871-3085**. The access code is 229158 followed by the pound sign (#). A limited number of lines have been made available for this call, so please maximize the number of employees calling from each location.

The purpose of the teleconference is to discuss issues related to the FY 2003 administrative budget and year-end close. All State personnel who perform work on administrative budgets and/or FFIS area are encouraged to participate.

If you have issues that you would like to have addressed, please send your **requests no later than COB Friday, September 5, 2003**, to deborah.watt@usda.gov. Issues relating to FFIS may be sent to the Fiscal Control Branch at fcb@stl.rural.usda.gov. Due to time constraints, we may not be able to address specific questions regarding your State that do not pertain to the mission area as a whole.

Please call Deborah Watt at 202-692-0124 if you have any questions regarding the teleconference.

(Signed by Deborah B. Lawrence)

DEBORAH B. LAWRENCE
Director
Budget Division

Attachment

EXPIRATION DATE:
September 30, 2003

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on 9/3/03 at 9:47 a.m. by BD.

**RURAL DEVELOPMENT
BUDGET DIVISION
TELECONFERENCE**

AGENDA

PARTICIPANTS:

- Budget
- FCB
- SMB
- States

ANNOUNCEMENTS:

- NADBANK Funds
- Excess Funds
- Reimbursements – IBIL by September 15
- CCE Training Reimbursements from OCIO – Budget needs AD-672s
- Lump Sum Projections
- Program (No Year) Funds

ISSUES:

E-MAIL RESPONSES (that impacts mission area)

ROLL CALL / QUESTIONS

September 2, 2003

SUBJECT: Administrative Budget Teleconference

TO: National Office Officials

A teleconference has been scheduled for **Wednesday, September 10, 2003, from 10:00 a.m. to 11:30 a.m. EDT**. The Teleconference Center in **Room 1605-S** has been reserved for use by employees in the South Building and the Whitten Building in Washington, DC. Only employees at other locations may dial into the teleconference by calling **202-554-0199**. The access code is 5263 followed by the pound sign (#). A limited number of lines have been made available, so employees are urged to maximize the number of employees calling from each location to ensure access for everyone who wants to attend.

The purpose of the teleconference is to discuss issues related to the FY 2003 administrative budget and year-end close. All National Office personnel who perform work on administrative budgets and/or FFIS are encouraged to participate.

If you have issues that you would like to have addressed, please send your requests **no later than COB Monday, September 8, 2003**, to Deborah Watt at deborah.watt@usda.gov. Issues relating to FFIS may be sent to the Fiscal Control Branch at fcf@stl.rural.usda.gov. Due to time constraints, we may not be able to address specific questions regarding your area that do not pertain to the mission area as a whole.

Please call Deborah Watt at 202-692-0124 if you have any questions regarding the teleconference.

(Signed by Deborah B. Lawrence)

DEBORAH B. LAWRENCE
Director
Budget Division

Attachment

EXPIRATION DATE:
September 30, 2003

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on 9/3/03 at 9:42 a.m. by BD.

**RURAL DEVELOPMENT
BUDGET DIVISION
TELECONFERENCE**

AGENDA

PARTICIPANTS:

- Budget
- FCB

ANNOUNCEMENTS:

- Excess Funds
- Reimbursements
- YE Documents

ISSUES:

E-MAIL RESPONSES (that impacts mission area)

ROLL CALL / QUESTIONS

September 2, 2003

SUBJECT: Rural Development Safety and Health Program and
Workplace Surveys

TO: National Office Officials
All Washington, D.C. Rural Development Employees

Prevention of workplace injuries and protection of human life is the primary goal of the Rural Development Mission Area Safety and Health Program. Rural Development complies with the requirements of the Occupational Safety and Health Administration (OSHA), the Safety and Health Act of 1970, Executive Order 12196, and 29 CFR Part 1960. These requirements apply to all Federal agencies.

The U. S. Department of Agriculture and the Rural Development Mission Area strive to operate an effective safety and health program. The intent of this program is to protect employees, enforce Federal guidelines, ensure a safe and well-maintained worksite, protect the public and the environment from risk of occupational safety and health hazards, and to prevent damage to physical property.

Rural Development encourages a pro-active approach towards promoting a positive, safe, and healthy work environment. One objective of our program is to reduce accidents and work-related illnesses/injuries. In support of this approach and to further this objective, we have attached a form titled, "Inspection Guide," which should be completed by all employees and supervisors concerning their workspace. *Please report only those issues impacting safety and health.* **Once completed, surveys should be returned to Sylvester Pope at STOP 0730 in the Human Resources Programs Branch.** This memorandum and survey will also be sent by electronic mail and should you choose to complete the survey in that manner, please send your response to Sylvester.Pope@usda.gov. Surveys should be returned by September 19, 2003.

Once surveys are returned, they will be reviewed by the Health and Safety Committee which is comprised of both union and management officials and was established pursuant to Article 25 of the collective bargaining agreement. The surveys will be used to establish a schedule for conducting inspections of the workplace. Those offices identified with issues or problems will be inspected first. Inspections may be occurring in your workspace over the course of the next few weeks. If significant problems are identified during the inspections, the committee will seek to speak directly with the supervisor or other "acting" designee. If this is not possible, the supervisor/designee will be notified within one week of when the inspection is completed.

EXPIRATION DATE :
August 31, 2004

FILING INSTRUCTIONS :
Administrative/Other Programs

It is also your responsibility to safeguard the health and safety of yourself and others while at work. Wires and cables should be placed as far out of the way as possible so as not to pose trip hazards. Doors that open should not present any obstructions upon entry into the workspace. If you identify a potential hazard that is easily correctable, please inform the responsible party so that action may be taken. If further steps are required, please notify Sylvester Pope at (202) 692-0196 and he will advise you what steps to take.

Questions regarding this memorandum, the survey, or the Rural Development Safety and Health Program should be directed to Sylvester Pope at the number provided above.

(Signed by Sherie Hinton Henry)

SHERIE HINTON HENRY
Deputy Administrator for
Operations and Management

Attachment:
Inspection Guide Form

RURAL DEVELOPMENT

Inspection Guide

(Location)

-
1. Are aisles and doorways free from obstructions to permit visibility and movement?
 2. Are file cabinets and storage areas arranged safely?
 3. Do office furnishings or equipment pose potential safety hazards, e.g. defective chairs, loose/broken stools, sharp edges on desks or cabinets, torn/ripped carpeting?
 4. Are there any obvious mechanical hazards?
 5. Are any phone lines, electrical cords, or extension wires exposed and do they present possible safety, trip, shock, or other electrical hazards?
 6. Are equipment, papers, boxes, and other office materials improperly placed in the office space which present clutter to the point of possible hazard?
 7. Are floor surfaces carpeted, bare, dry, clean, and free of spills, rips, wrinkles, and bulges to ensure safe movement?
 8. Are posted Exit signs clear and free of obstructions?
 9. Is there adequate entry/exit space in aisle-ways and walk-ways in the office space?
 10. Do chairs or stools have rollers or casters that make them unsafe, e.g. missing parts?
 11. Are there any other observed safety issues?

September 3, 2003

SUBJECT: Intermediary Relending Program
Final Round Funding

TO: State Directors, Rural Development

ATTN: Business Programs Directors

The fiscal year 2003 final round funding selections for the Intermediary Relending Program (IRP) non-earmarked funds are listed below for your information. The priority points for each project are inclusive of any Administrator points that were awarded. The selections are as follows:

State	Project Name	Amount	Priority Points
DC	Community Dvlp. Trans. Lending Services	\$ 750,000	184
OK	Logan County Economic Dvlp. Council	\$ 750,000	181
NH	Business Enterprise Development Corp.	\$ 750,000	161
LA	The Coordinating and Dvlp. Corp.	\$ 750,000	157
CA	Economic Development and Financing Corp.	\$ 750,000	156
SD	South Dakota Economic Dvlp. Finance Authority	\$ 750,000	156
NM	Women's Economic Self-Sufficiency Team, Corp.	\$ 500,000	155
MT	Great Northern Development Corporation	\$ 500,000	154
OH	Portage Area Development Corporation	\$ 500,000	153
MT	High Plains Financial, Inc.	\$ 750,000	152
MT	Gateway Economic Development Corporation	\$ 750,000	151
IA	E.C.I.A. Business Growth, Inc.	\$ 750,000	151
KY	Community Ventures Corporation	\$ 750,000	151
UT	Uintah and Ouray Ute Indian Tribe	\$ 750,000	151
WV	Region 8 Planning and Development Council	\$ 375,000	150
WV	Natural Capital Investment Fund, Inc.	\$ 500,000	148
ME	Kennebec Valley Council of Governments	\$ 500,000	145
OR	Columbia-Pacific Economic Development District	\$ 400,000	143
WA	Shorebank Enterprise Group, Pacific	\$ 750,000	141

EXPIRATION DATE:
September 30, 2003

FILING INSTRUCTIONS:
Community/Business Programs

CA	California Statewide Certified Development Corp.	\$ 500,000	140
TX	Accion Texas, Inc.	\$ 750,000	140
WV	West Virginia Housing Development Fund	\$ 750,000	139
MI	Northern Economic Initiatives Corporation	\$ 750,000	138

Total		\$15,025,000	
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Unused earmarked funds totaling \$12,619,438.45 were pooled on June 30, 2003 and made a part of the unrestricted reserve. There was a total of \$15,033,000 available for this round of funding, and \$8,000 was unused.

Please provide appropriate notification to applicants that did not receive an allocation. Applications that have been considered for an allocation of funds in four quarterly funding cycles will receive no further consideration, in accordance with RD Instruction 4274-D, section 4274.344(b). Applications that have been considered in less than four quarterly funding cycles will be considered again next fiscal year. You are reminded that this is the final round of funding for the IRP unrestricted reserve.

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

September 3, 2003

SUBJECT: Rural Business Enterprise Grant Program
Technical Assistance for Rural Transportation Systems
Fiscal Year 2003

TO: State Directors, Rural Development

ATTN: Business Programs Directors

We have recently completed the Technical Assistance for Rural Transportation Systems funding cycle. The National Office received one request for the \$500,000 earmark and one request for the \$250,000 Native American earmark. We are pleased to announce that the Community Transportation Association of America was selected under both earmarks.

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

EXPIRATION DATE:
September 30, 2003

FILING INSTRUCTIONS:
Community/Business Programs

September 9, 2003

TO: All State Directors
Rural Development

ATTN: Program Directors, Rural Development Managers, and
Community Development Managers

FROM: David J. Villano *(Signed by David J. Villano)*
Deputy Administrator
Single Family Housing

SUBJECT: Proper Chain of Custody for Documentation
Direct Single Family Housing Loans

The purpose of this memorandum is to clarify the chain of custody for documentation. The need for this clarification was made evident while reviewing files in the National Office and during discussions at the Rural Home Loan Partnership Meeting in June of 2003.

HB-1-3550, Chapter 3, paragraph 3.15 states, "Once the applicant has been notified of this [processing] selection, the Loan Originator should begin processing the verification forms that must be initiated by the Agency." The aforementioned section goes on to states that correspondence should take place directly between the third party (i.e. employer, landlord, creditor, business, etc.) and the Agency, using Agency forms if possible. The practices outlined in this section reduce the potential for fraud and the appearance of a conflict of interest by not allowing interested parties (i.e. applicants, borrowers, packagers, Community Development Corporations (CDCs), etc.) to handle completed verifications.

The chain of custody for documentation extends beyond income verifications, ensuring the integrity of credit reports and appraisals is equally important. Eligibility determinations must be based on full-fledged residential mortgage credit reports (not multi-merged infile reports) that were obtained by the Agency or participating lender (see provision in HB-1-3550, Chapter 10, paragraph 10.9). Loan underwriting decisions must be based on appraisals that were obtained by the Agency or participating lender (see provision in HB-1-3550, Chapter 10, paragraph 10.9). There are no provisions that allow other partners (such as nonprofits and CDCs) to order residential mortgage credit reports or appraisals.

EXPIRATION DATE:
September 30, 2004

FILING INSTRUCTIONS:
Housing Programs

It is imperative that the Agency avoids situations of conflict of interest (perceived or otherwise) while processing loan applications. While expediting processing should be every State's goal, it should not be accomplished by deviating from the appropriate chain of documentation thus exposing the Government to significant risk.

If you have any questions regarding this memorandum, please contact Michael Feinberg or Brooke Baumann of the Single Family Housing Direct Loan Division at (202) 720-1474.

September 12, 2003

SUBJECT: Changes to Bank of America's Travel Card
Application and Closed Account Procedures

TO: All Rural Development Employees

We have recently been informed by the Bank of America (BOA) of two major changes which affect travel charge card BOA applicants and cardholders:

- Additional data will be required by BOA on the application form. This will assure BOA is in compliance with the USA PATRIOT (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism) Act, signed by President Bush on October 26, 2001. That Act was designed to detect, deter, and punish terrorists in the United States and abroad and imposed new anti-money laundering requirements for financial institutions. Consequently, all new applicants on and after October 1, 2003, must provide their name, address, date of birth, and social security number or Tax Identification Number (TIN). There is no affect on an employee who currently has a BOA travel charge card. The BOA will maintain records of the information used to verify a person's identity and compare it to lists provided by the Government of known or suspected terrorists or terrorist organizations. Applications without the required information will not be processed by BOA after September 30, 2003. The BOA is presently updating its application forms which are expected to be available soon.
- The BOA will be deleting "closed" accounts. The BOA's Government Card Services is planning in September 2003 to remove from its system those accounts that meet any one of the following conditions:
 - There has been no transaction activity and no statement issued equal to or greater than 36 months.

EXPIRATION DATE:
September 30, 2004

FILING INSTRUCTIONS:
Administrative/Other Programs

- There is a “zero” balance for 36 months or greater.
- The account is closed and there is no status change for 36 months or greater.

If an employee’s BOA account is closed based on any of the above criteria and that employee now requires a travel charge card, he/she will need to file a new application.

Employees should contact their BOA Agency/Organization Program Coordinator if they have any questions regarding the above.

(Signed by Sherie Hinton Henry)

SHERIE HINTON HENRY
Deputy Administrator
for Operations and Management

Sent via electronic mail on 09-24-03 at 9:12 a.m. by CSD.

September 15, 2003

SUBJECT: Rural Business-Cooperative Service
Fiscal Year 2002 National Training Meeting

TO: State Directors, Rural Development

ATTN: Business Programs Directors

We have produced a four-video tape set of the Farm Credit Administration training presented at the subject meeting. Enclosed are three copies of the four-tape set. In addition, we are forwarding the three workbooks that correspond to the four-tape set. You may make additional copies of the workbooks as needed. If you have any questions, please contact Donnetta Rigney (202 720-9812 or by e-mail @ donnetta.rigney@usda.gov).

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

Attachment

Sent by hard copy by Special Projects/Programs Oversight Division

EXPIRATION DATE:
July 31, 2004

FILING INSTRUCTION:
Business/Community Programs

September 18, 2003

SUBJECT: Interest Rate for Direct Business
and Industry Loans

TO: Rural Development State Directors,
Rural Development Managers,
and Community Development Managers

The following interest rate is in effect October 1, 2003, through December 31, 2003.

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
Direct Business and Industry	4.250%	4.000%

Please notify appropriate personnel of this rate.

(Signed by John Rosso)

JOHN ROSSO
Administrator
Rural Business-Cooperative Service

Sent by Electronic Mail on 09-22-03 at 10:25 a.m. by PAD.

EXPIRATION DATE:
December 31, 2003

FILING INSTRUCTIONS:
Administrative/Other Programs

September 22, 2003

SUBJECT: Rural Business Enterprise Grant Program
Native American Earmark
Fiscal Year 2003 Second Funding Cycle Selections

TO: State Directors, Rural Development

ATTN: Business Programs Directors

We have recently completed the second funding cycle for the Native American earmark. There were 22 requests for funds totaling \$2,961,806 that competed in the funding cycle. We are pleased to announce that the following were selected:

State	Applicant	Amount Awarded
NE	Santee Sioux Nation	\$99,500
ME	Pleasant Point Passamaquoddy Tribe	\$99,900
UT	Rocky Mountain Farmers Union Educational & Charitable Fndtn.	\$95,000
NM	Cibola Communities Economic Development Foundation, Inc.	\$98,910
SD	Yankton Sioux Tribe	\$150,000
AZ	San Carlos Apache Tribe	\$199,000
ID	Shoshone-Pauite Tribes of the Duck Valley Indian Reservation	\$25,000
AK	Lower Kuskokwim Economic Development Council	\$13,500
WA	Cowlitz Indian Tribe	\$98,080
ND	Sitting Bull College	\$291,478
	Total	\$1,170,368

Projects selected under the Native American earmark must use the type of assistance code "310" when obligating. This completely depletes the Native American earmark. Projects must have an obligation date of no later than September 30, 2003. Thank you for another successful year of funding.

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs
Rural Business-Cooperative Service

EXPIRATION DATE:
September 30, 2003

FILING INSTRUCTIONS:
Community/Business Programs

September 22, 2003

SUBJECT: Rural Business Opportunity Grant Program
Native American Earmark
Fiscal Year 2003 Funding Selections

TO: State Directors, Rural Development

ATTN: Business Programs Directors

We have recently completed the second funding cycle for the Native American earmark. There were 20 requests for funds competing for a total of \$1,344,372. We are pleased to announce that 6 requests were selected for funding, totaling \$314,012, as follows:

State	Applicant	Amount Awarded
UT	Monument Valley Economic Development Association	\$49,500
MT	Fort Belknap Indian Community Council	\$49,900
WY	University of Wyoming	\$50,000
SD	Lower Brule Sioux Tribe	\$50,000
AZ	Hualapai Tribe	\$99,975
NE	Santee Sioux Tribe	\$14,637
Total		\$314,012

The type of assistance code to obligate these requests is 312. State Offices must notify each applicant that was not selected for funding. All remaining requests will be removed from the National Office list.

If you have any questions, please contact Diane Berger, Loan Specialist, Specialty Lenders Division Processing Branch, (202) 720-2383.

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs
Rural Business-Cooperative Service

EXPIRATION DATE:
September 30, 2003

FILING INSTRUCTIONS:
Community/Business Programs

September 22, 2003

SUBJECT: Interest Rates for Community Facilities

TO: Rural Development State Directors,
Rural Development Managers,
and Community Development Managers

Effective from October 1, 2003, through December 31, 2003, the interest rates for direct community facility loans are as follows:

Poverty Line...unchanged at.....	4.500%
Intermediate....increased to.....	4.750%
Market.....increased to	5.000%

Please notify appropriate personnel of these rates.

(Signed Arthur A. Garcia)

ARTHUR A. GARCIA
Administrator
Rural Housing Service

Sent by Electronic Mail on 09-22-03 at 10:30 a.m. by PAD.

EXPIRATION DATE:
December 31, 2003

FILING INSTRUCTIONS:
Administrative/Other Programs

September 22, 2003

TO: State Directors
Rural Development

FROM: Thomas C. Dorr
Under Secretary
Rural Development

SUBJECT: Use of Dun and Bradstreet Data Universal Numbering System

The Office of Management and Budget (OMB) has issued a policy directive to implement the requirement for grant applicants to provide a Dun and Bradstreet Data Universal Numbering System (DUNS) number when applying for Federal grants or cooperative agreements on or after October 1, 2003. Use of the DUNS number Government-wide will provide a means to identify entities receiving those awards and their business relationships.

This policy directive is part of the implementation of the Federal Financial Assistance Management Improvement Act of 1999, Pub. L. 106-107, which requires OMB to direct, coordinate, and assist departments and agencies in establishing an interagency process to streamline and simplify Federal financial assistance procedures for non-Federal entities. Under the Grants.gov Initiative, Federal agencies are in the process of developing an electronic grant application system using standard core data elements. The DUNS number is one of the data elements. The DUNS number will be used to link to applicant data maintained in a central Federal registration repository. This identifier will be used for tracking purposes and to validate address and point of contact information.

The DUNS number will be required whether an applicant is submitting a paper or an electronic application. The DUNS number does not replace existing numbers, such as the Employer Identification Number, the Tax Identification Number, or the State Application Identifier number, that are required by statute, Executive Order, or regulation.

EXPIRATION DATE:
October 31, 2004

FILING INSTRUCTIONS:
Administrative/Other Programs

Every application for a new award or renewal of an award, including applications or plans under mandatory grant programs, submitted on or after October 1, 2003, must include a DUNS number for the applicant. Unless an exemption is granted by OMB, an application will not be considered complete until the applicant provides a valid DUNS number.

This policy applies to all types of entities applying for Rural Development grants or cooperative agreements under discretionary and mandatory grant programs. Individual applicants who would personally receive a grant or cooperative agreement award from the Federal Government, apart from any business or nonprofit organization they may operate, are exempt from this requirement.

Organizations should verify that they have a DUNS number or obtain one as soon as possible. Organizations can receive a DUNS number at no cost by calling the toll-free DUNS number request line, 1-866-705-5711.

Rural Development programs that award grants or cooperative agreements must provide outreach and education to their applicant communities regarding the requirement for the DUNS number. Please encourage applicants, who anticipate applying, to obtain a DUNS number in advance of a specific application. Applicants are responsible for obtaining their DUNS number. OMB approval is not required to add a DUNS number field to previously approved forms.

Additional information regarding the OMB policy directive on the DUNS number can be found in the Federal Register dated June 27, 2003, pages 38402-38405. If you have any questions, please contact William Kenney of the Rural Development eGrants team, 202-720-1506.

September 23, 2003

SUBJECT: Interest Rates for Water and Waste Disposal
Loans, Watershed Protection and Flood
Prevention Loans, and Resource Conservation
and Development Loans

TO: Rural Development State Directors,
Rural Development Managers,
and Community Development Managers

Effective from October 1, 2003, through December 31, 2003, the interest rates for Water
and Waste Disposal Loans are as follows:

Poverty Line...unchanged at.....4.500%
Intermediate....increased to4.750%
Market.....increased to5.000%

Also, the rate for Watershed Protection and Flood Prevention Loans and Resource
Conservation and Development Loans is as follows:

URRNT RATE	NEW RATE
4.250%	5.000%

Please notify appropriate personnel of these rates.

(Signed by Hilda Gay Legg)

Hilda Gay Legg
Administrator
Rural Utilities Service

Sent by Electronic Mail on 9/23/03 at 4:20 p.m. by PAD.

EXPIRATION DATE:
December 31, 2003

FILING INSTRUCTIONS:
Administrative/Other Programs

September 23, 2003

SUBJECT: Interest Rate Changes for Housing Programs
and Credit Sales (Nonprogram)

TO: Rural Development State Directors,
Rural Development Managers,
and Community Development Managers

ATTN: Rural Housing Program Director

The following interest rates, effective October 1, 2003, are changed as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
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ALL LOAN TYPES

Treasury Judgement Rate	1.130%	1.350%
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The current rate shown above is as of the week ending 08/29/2003. The actual judgement rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve web site for the weekly average 1-year CMT yield (www.federalreserve.gov/releases/h15/data/wf/tcm1y.txt).

RURAL HOUSING LOANS

Rural Housing (RH) 502		
Low or Moderate	5.750	6.375
Single Family Housing		
(SFH) Nonprogram	6.250	6.875

EXPIRATION DATE:
October 31, 2003

FILING INSTRUCTIONS:
Administrative/Other Programs

Rural Housing Site (RH-524), Non-Self-Help	5.750	6.375
Rural Rental Housing and Rural Cooperative Housing	5.750	6.375

Please notify appropriate personnel of these rates.

(Signed by Arthur A. Garcia)

ARTHUR A. GARCIA
Administrator
Rural Housing Service

Sent by Electronic Mail on 09/23/03 at 12:55 p.m. PAD.

September 24, 2003

SUBJECT: Bank of America Software Upgrade

TO: Rural Development State Directors

ATTN: Administrative Program Directors

The Systems Integrity Management Branch has given approval for our field offices to download the Bank of America (BOA) Crystal Offline Viewer software. Instructions for downloading and installing that software are listed on the USDA Service Centers Common Computing Environment (CCE) website (http://servicecenter.kcc.usda.gov/Sfw_a_d.htm). If you have any questions or concerns regarding the downloading of the software to your system, please contact the USDA Centralized Help Desk (CHD) for your specific CHD Region.

The Crystal Offline Viewer software was created to assist in downloading and viewing large BOA reports from the BOA's Electronic Account Government Ledger System (EAGLS) and will be needed for other EAGLS' reporting capabilities. If you have any questions relating specifically to BOA reports, please contact Theresa Hollowell, National Office Travel Unit, at 202-692-0227.

(Signed by Sherie Hinton Henry)

SHERIE HINTON HENRY
Deputy Administrator
for Operations and Management

EXPIRATION DATE:
September 30, 2004

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by electronic mail at 7:50am on 09-25-03 by SSD.

State Directors should advise other personnel as appropriate.

September 25, 2003

SUBJECT: Business and Industry Guaranteed Loan Program
Appraisals and Appraisal Review Checklist

TO: State Directors, Rural Development

ATTN: Business Programs Directors

This unnumbered letter replaces the November 14, 2002, unnumbered letter on the same subject. It is intended to help ensure that appraisals meet Standards I and II of the Uniform Standards of Professional Appraisal Practices (USPAP). We are also providing two appraisal review forms that may be used to assist your evaluation of the adequacy of appraisals submitted. The Administrative Appraisal Field Review Report (Attachment A) may be used by Agency Loan Specialists when performing an administrative desk review. The USPAP Appraisal Technical Review form (Attachment B) provides a mechanism for completing technical reviews of real property appraisals by Agency staff appraisers for the Business and Industry (B&I) Guaranteed Loan Program. Using this checklist will ensure appraisal reviews meet the requirements of Standard III of USPAP.

Appraisals

An appraisal is an estimate of market value. Market value is the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming neither party is under duress. Implicit in this definition is the consummation of a sale as of a specified date. It is prudent to consider any alternative uses for the facility. All appraisals should consider the potential effects from a release or presence of hazardous substances or petroleum products or other environmental hazards on the market value of the collateral. Thus, you should be aware of the prior use(s) of the property. When visiting the facility, inspect the property for evidence of environmental hazards.

EXPIRATION DATE:
September 30, 2004 .

FILING INSTRUCTIONS:
Community/Business Programs

Lenders should be encouraged to detail the requirements of the appraisal in an engagement letter. The engagement letter should have a place for the appraiser to sign, acknowledging the requirements.

There are concerns that appraisal valuations are not documented well enough to support the collateral valuation. Based on reviews of some appraisals, it appears that the documentation in the appraisals does not meet USPAP standards. In some cases, the appraiser does not meet the competency requirements in accordance with USPAP. In other cases, the appraiser is not using the proper required approaches to determine the fair market valuation of the real property offered for collateral. We are concerned that appraisals of collateral are not adequate to support the valuation estimates provided.

Because of the Agency emphasis on quality real property appraisals and the credit risks associated with lack of collateral, it is strongly suggested that when a real property appraisal is required for any business loan credit transaction over \$100,000, a qualified State Certified General Appraiser should complete the appraisal. It is also recommended that a State Certified General Appraiser be used for any business credit transactions under \$100,000 where the business financed is specialized (i.e., manufacturing or service related business). Any such requirement should be included as part of the Conditional Commitment.

An appraisal report should include:

- a definition of the appropriate value used,
- the date of value,
- the legal description and ownership rights,
- any limiting conditions and pre-existing easements,
- the highest and best use,
- three approaches to value (unless USPAP Departure Provision is documented), and
- any appraisal requirements (i.e., “as improved”) and a certification of the appraiser.

There are three approaches to establishing market value: the cost approach, the sales comparison approach, and the income approach.

The cost approach would be the cost of the real estate plus the cost of all improvements less all forms of depreciation: physical depreciation, functional depreciation, and economic obsolescence.

The sales comparison approach compares the subject property to sales of similar properties located in relatively close proximity. Properties should be of similar size and utility. The properties should have sold within the past 24 months in arm’s length transactions. Comparisons should be made on the basis of conditions of sale, financing terms, market conditions, location, physical characteristics, and income characteristics.

The income approach is a determination of value based upon a discount (or capitalization) of some measure of income. This measure could be book or taxable net income, gross revenues, gross profit, cash flows, or any of numerous ways to define income. Properties must be generating net operating income in order to use the income approach. There must be market sales of similar properties. It is essential that the business is a going concern.

Review the approaches used in the appraisal to determine if the income approach was utilized, the appraisal is properly documented, and the appraiser has the qualifications to complete the appraisal. Unless the Departure Provision of USPAP is clearly documented in the appraisal, it is recommended that the appraisal include the three approaches to value. If your State has an Agency staff appraiser, that person should review the appraisal prior to loan approval.

Chattel Appraisals

Chattel evaluations are more frequently found on short- and intermediate-term loans. Loans with short- or intermediate-terms generally rely on chattel and personal property as primary collateral. Any disappearance of chattel collateral may result in a loss on the loan. Compared to the real estate appraisal process, the chattel evaluation is usually simpler and easier. The eight critical elements of chattel inspections are existence, ownership, location, number or amount, condition, value, attachment, and perfection. Each piece of chattel collateral should be listed in the chattel appraisal. Pay particular attention to specialized equipment. This type of equipment may be unique to the area and operation of the business. Be cognizant of potential teardown or reconstruction costs. Consideration should be given to not only the life expectancy of the equipment, but also to the impact of new technology. You should confirm that the appraiser discounted specialized equipment more than standard industrial equipment. Impacts to the value of industrial equipment include size and utility, condition (hours used), brand of the equipment, and the dealers and servicing available. The lender must have an established appraisal process in lieu of using the process identified in Standards 7 and 8 of USPAP.

B&I Servicing

Appraisals are required on transfers and assumptions for less than the full amount of debt. In addition, RD Instruction 4287-B, section 4287.134(c), states that a current appraisal is required when releasing the transferor/guarantor from liability.

In accordance with RD Instruction 4287-B, section 4287.157(d)(13), in a liquidation scenario, an appraisal is required if the principal and interest balance is \$200,000 or

more. The appraisal should be included as part of the liquidation plan. Before accepting the appraisal, you should resolve any concerns raised in the unnumbered letter with the appraiser. Thoroughly document any substantial decrease from the appraised value at approval versus the liquidation sales price.

RD Instruction 4287-B, section 4287.113(a), also requires an appraisal on any collateral released with a value greater than \$100,000. At its discretion, the Agency may require an appraisal on the remaining collateral if it is determined that the Agency may be adversely affected by the release of collateral.

The appraiser should be an independent third party to avoid any conflict of interest issues. If the appraisal has problems or is misleading, you are within your rights to require a new appraisal. If you have concerns or red flags are present, discuss the appraisal with or have the appraisal reviewed by the State review appraiser. That individual may decide that a technical review, in the form of a desk or field review as appropriate, is necessary. Field reviews should be requested for loans with above-average risk, in excess of \$5 million, secured by specialized or unique collateral, with highly depreciable collateral, where the “highest and best use” is not typical for the property or where collateral is valued on an “as improved” basis.

Appraisal Reviews

There are two types of appraisal reviews, administrative and technical. As loan officers, you are expected to be able to perform an administrative review. Attached is a suggested appraisal review form that can be used for conducting administrative reviews of real property appraisals. The administrative review should be completed by the Agency loan approval or servicing official. Any problems noted during an administrative review of real estate appraisals should be discussed with the State appraisal staff, directed to the lender, and resolved before the credit transaction is approved. You are trying to determine if the final value conclusion is reasonable, based on subject data facts or market data facts, and physical characteristics. Does the net income support the value?

There are a number of red flags to look for when reviewing appraisals:

- ensure that the appraisal report is clear and complete;
- check the report for math and calculation errors;
- review sales comparables to ensure that they are not outdated;
- make sure the appraiser is using the price actually paid and not the listing or sales price;
- pay attention to excessive adjustments in value;

- look for inconsistencies between the cost, sales comparison, and income approaches;
- use your experience to ensure that the appraisal is typical for the industry or area;
- make sure the appraiser has the necessary experience to appraise the real estate or machinery and equipment being appraised (if the assets are specialized, the appraisal must be completed by an appraiser certified in that specialty area); and
- make sure the appraiser has the proper certification.

Specific questions about appraisals should be directed to Kenneth E. Hennings, Specialty Lenders Division Servicing Branch Chief and Certified General Appraiser, (202) 690-3809. Please address B&I loan processing questions to Fred Kieferle, B&I Division Processing Branch Chief, (202) 720-7818, and B&I loan servicing questions to Blanche Hamilton, B&I Division Servicing Branch Chief, (202) 690-3806.

JOHN ROSSO
Administrator
Rural Business-Cooperative Service

Attachments

Attachment A

ADMINISTRATIVE APPRAISAL FIELD REVIEW REPORT

Customer:

Appraiser:

Date of Appraisal Report:

Date of Field Inspection:

- | | <u>YES</u> | <u>NO</u> |
|--|--------------------------|--------------------------|
| 1. Is the appraiser's overall description of the neighborhood complete and accurate (location, general market conditions (i.e., plant closings, crop failures, etc.), property values, supply/demand, marketing time, general appearance of properties, appeal to market, etc.)? If not, why? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is the appraiser's overall description of the site complete and accurate (zoning compliance, apparent adverse conditions, apparent environmental hazards, size, floodplains, etc.)? If not, explain. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is the appraiser's overall description of the improvements complete and accurate (property description, depreciation, condition, apparent environmental hazards)? If not, explain. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are the design, appeal, quality of construction, and size of the subject property similar to others in this area? If not, what is different? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are the comparables used in the analysis truly comparable to the subject property, representative of the subject market, and were they the best ones available as of the effective date of the appraisal? If not, explain and provide an adjustment grid with the appropriate comparables and adjustments on an addendum. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are the individual adjustments to the comparables reasonable and supported (time, location, design and appeal, quality of construction, condition, size, sales or financing concessions, etc.)? If not, explain. age, | <input type="checkbox"/> | <input type="checkbox"/> |

7. Is the estimate of market value for the subject property reasonable as of the effective date of the appraisal? If not, provide an appropriate estimate of market value for the subject property and state the assumptions (exterior inspection only, property description and condition, etc.) to which the opinion is subject. ☐ ☐
8. Has the income approach been completed as required by Agency policy? ☐ ☐
9. Is there a legal description attached? ☐ ☐
10. Does the appraisal report clearly document land use, topography, physical access (conditions and location), and property location? ☐ ☐
11. Is the value conditioned upon any permitted departures from specific requirements of STANDARD 1 of USPAP, and what is the reason for excluding any of the usual valuation approaches? ☐ ☐
12. Did the appraiser include a signed certification in accordance with Standards Rule 2-3 of USPAP, and was the appraiser qualified to do the assignment (i.e., over \$100,000 transaction, Certified General Appraiser strongly preferred)? ☐ ☐

COMMENTS:

I certify, to the best of my knowledge and belief, that:

1. The above information is true and correct.
2. I personally inspected the exterior of the subject property on the date noted above.
3. This report complies with the Rural Business-Cooperative Service collateral evaluation policy and procedures.
4. This report is acceptable for the loan being contemplated.
5. This property is eligible collateral for the loan being contemplated.
6. I did not observe any environmental hazards except as identified in number 2 and 3 above.
7. Environmental risk is considered. Low _____ Medium _____ High _____

Credit Officer

Date

Attachment B
USPAP APPRAISAL TECHNICAL REVIEW

Property Owner:

Interest Appraised: Fee simple estate

Appraisal Client: Rural Housing Service, USDA ☐
Rural Business-Cooperative Service, USDA ☐

Intended Purpose: The intended purpose of this appraisal review is to assess the adequacy and relevance of data, the propriety of any adjustments to that data, the appropriateness of the appraisal methods and techniques used to develop the appraisal report and evaluate compliance with all relevant USPAP requirements. It is not to develop the reviewer's own opinion of value about the subject property.

Intended Use: The intended use of this appraisal review is to develop an opinion about the quality of the work completed by the above appraiser in his/her real property appraisal assignment of the above mentioned property.

Intended User: Rural Housing Service, USDA ☐
Rural Business-Cooperative Service, USDA ☐

Date of Review:

Effective Date of Review:

Nature, Extent and Detail of Review Process: field inspection ☐
exterior only of subject and comps ☐
desk review of complete appraisal and
MLS books ☐

Review Appraiser's Summary of Opinions, Reasons, and Conclusions:

Completeness of the report within scope of work:

Adequacy and relevance of data and adjustments:

Analyses, opinions, and conclusions in report reasonable and develop reasons for disagreement:

Appropriateness of the appraisal methods and techniques used:

General Requirement		USPAP Requirement	Appears to be in Compliance
1.	If Limited Appraisal, has appraiser correctly invoked and reported departure?	Departure Rule 2-2(xi)	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
2.	If Jurisdictional Exception has been exercised in the development of the appraisal, has the appraiser correctly invoked and reported?	Jurisdictional Exception	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
3.	Has appraiser prominently stated the report option used?	2-2	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
4.	Has appraiser identified and correctly interpreted the appraisal problem?	1-1(a)	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
5.	Has appraiser considered and identified the purpose of the appraisal?	1-2(a) 2-2(v)	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
6.	Has appraiser considered and identified the intended use of the appraisal?	1-2(a) 2-2(ii)	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
7.	Has appraiser considered and identified the real property interest to be appraised?	1-2(e)(ii) 2-2(iv)	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
8.	Has appraiser identified the effective date of the appraisal?	1-2(d) 2-2(vi)	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
9.	Has the appraiser dated the report?	2-2(vi)	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
10.	Has the appraiser provided a definition of value?	1-2(c), 2-2(v)	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>
11.	If market value has been estimated, has the appraiser indicated whether the estimate is in terms of cash, or terms equivalent to cash, or other precisely defined terms?	1-2(c) 2-2(v)	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>

12. Has appraiser considered and reported the extent of the process, of collecting confirming, and reporting data (scope)? 1-2(f) 2-2(vii) Yes ☐ No ☐ N/A ☐
13. Has appraiser considered and stated all assumptions and limiting conditions that affect the analysis and conclusions of the appraisals? 1-2(g) 2-2(viii) Yes ☐ No ☐ N/A ☐

COMMENTS:

Property Description

14. Has appraiser considered and stated all special or extraordinary as sumptionsand hypothetical and limiting conditions? 1-2(g) 1-2(h) 2-1(c) 2-2(viii) Yes ☐ No ☐ N/A ☐
15. Has appraiser adequately identified and reported the site description? 1-2 (e)(i)(iv) 2-1(a)(iii) Yes ☐ No ☐ N/A ☐
16. Has appraiser adequately identified and reported improvement(s) description? 1-2(e) 2-2(iii) Yes ☐ No ☐ N/A ☐
17. Has appraiser adequately identified and reported the physical , functional, and external market factors as they may affect the appraisal? 1-4(b) 2-2(ix) Yes ☐ No ☐ N/A ☐
18. Has appraiser considered and reported any anticipated public and private improvements located on or off the site? 1-4(f) 2-2(viii) Yes ☐ No ☐ N/A ☐
19. Has appraiser considered and reported easements, restrictions, or other items of a similar nature? 1-2(e)(iv) 2-2(ix) Yes ☐ No ☐ N/A ☐

- | | | | |
|-----|---|------------------------|---|
| 20. | Has appraiser identified and considered the on value of any personal property, trade fixtures, or intangible items that are not real property but is included in the appraisal? | 1-2(e)(iii)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 21. | Has appraiser considered and reported the highest and best use of the site? (Highest and best use is determined by an appraiser that meets USPAP competency requirements, i.e., as a specialized appraiser having the qualifications to appraise the property.) | 1-3(b)
2-2(x) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 22. | Has appraiser considered and reported the highest and best use as improved? | 1-3(a)
2-2(x) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |

COMMENTS:

VALUATION METHODS

Cost Approach

- | | | | |
|-----|--|------------------------------------|---|
| 23. | Has appraiser explained and supported the exclusion of the cost approach? (If cost approach is not considered, documentation must be provided explaining why not.) | 2-2(xi) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 24. | Has appraiser appropriately valued the site? | 1-4(b)(i), 2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 25. | Has appraiser collected, verified, analyzed, and reconciled the cost of new improvements? | 1-4(b)(ii)
2-2(viii)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |

- | | | | |
|-----|---|-------------------------------------|---|
| 26. | Has appraiser collected, verified, analyzed, and reconciled accrued depreciation? | 1-4(b)(iii)
2-2(viii)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
|-----|---|-------------------------------------|---|

COMMENTS:

Sales Comparison Approach

- | | | | |
|-----|---|-------------------|---|
| 27. | Has appraiser explained and supported the exclusion of the Sales Comparison Approach? (If sales approach is not considered, documentation must be provided explaining why not.) | 2-2(xi)
1-4(a) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
|-----|---|-------------------|---|

- | | | | |
|-----|---|-------------------|---|
| 28. | Has appraiser collected, verified, analyzed, and reconciled comparable sales adequately identified and described? | 1-4(a)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
|-----|---|-------------------|---|

COMMENTS:

Income Approach

- | | | | |
|-----|--|------------------------|---|
| 29. | Has appraiser explained and supported the exclusion of the Income Approach? (If income approach is not considered, documentation must be provided explaining why not.) | 2-2(xi) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 30. | Has appraiser collected, verified, analyzed, and reconciled comparable rental data for subject rent? | 1-4(c)(i)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 31. | Has appraiser collected, verified, analyzed, and reconciled comparable operating expenses? | 1-4(c)(ii)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 32. | Has appraiser collected, verified, analyzed, and reconciled comparable data to estimate capitalization/ discount rate? | 1-4(c)(iii)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |

COMMENTS:

Reconciliation and Final Estimate of Value

- | | | | |
|-----|--|-------------------|---|
| 33. | Has appraiser considered, analyzed, and reported any current sale, option, or listing of the property being appraised? | 1-5(a)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 34. | Has appraiser considered, analyzed, and reported any prior sales; 1 year 1-4 family, 3 years all others? | 1-5(b)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |
| 35. | Has appraiser considered the quality and quantity of the data in the approaches, the applicability of the approaches, and commented on the reconciliation? | 1-5(c)
2-2(ix) | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> |

36. Does the appraisal report contain sufficient information to enable the person(s) who are expected to receive or rely on the report to understand it properly? 2-1(b) Yes ☐ No ☐ N/A ☐
37. Does the appraisal report state the use of the real estate as of the existing date of value? 2-2(x) Yes ☐ No ☐ N/A ☐

COMMENTS:

Certification

38. Does the report include a signed certification in 2-3? 2-3 2-2(xii) Yes ☐ No ☐ N/A ☐
accordance with Standards Rule

NOTE: For Technical Reviews, complete this section.

REVIEWER ASSUMPTIONS & LIMITING CONDITIONS

1. The Appraisal review documentation attached is based on information and data contained in the appraisal report that is the subject of this review. Data and information from other sources may be considered. If so, they are identified and noted as such.
2. It is assumed that such data and information are factual and accurate.
3. The REVIEWER reserves the right to consider any new or additional data or information that may subsequently become available.
4. Unless otherwise stated, all assumptions and limiting conditions contained in the appraisal report, which is the subject of this appraisal review, are also conditions of this review.

REVIEWER CERTIFICATION

I, the undersigned, certify to the best of my knowledge and belief:

1. The facts and data reported by the reviewer and used in the review process are true and correct.
2. The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My compensation is not contingent on an action or event resulting from the analysis, opinion, or conclusion in, or the use of, this report.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My analyses, opinions, and conclusions were developed, and this review report were prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. No one provided significant professional assistance to me in preparing this review report.
9. I do not authorize the out-of-context quoting from or partial reprinting of this review report. Further, neither all nor any part of this review report shall be disseminated to the general public by any means without my prior written consent.
10. I did G did not G personally inspect the subject property of the report under review.

This appraisal review is to be used in conjunction with the Appraisal Report under review, and, without the accompanying report, this review report is not to be relied upon.

State Review Appraiser

Date

September 29, 2003

SUBJECT: Business and Industry Guaranteed Loan Program
Access to Project Sites

TO: State Directors, Rural Development

ATTN: Business Programs Directors

Recently, problems have arisen concerning access to project sites. Please ensure that real estate constituting the project location has dedicated street access and/or a recorded right-of-way to the site. The lack of access directly impacts the value of the collateral and feasibility of the project, and, when applicable, complicates both the loan servicing and liquidation process.

The lender needs to determine the legal access to the project site prior to loan approval and provide such documentation to the Agency. The State Office should incorporate a statement into the Conditional Commitment that requires dedicated street access and/or right-of-way. The State staff appraiser can provide assistance to review legal descriptions and site maps for the project site.

You can ensure access by requiring lenders to obtain mortgagee title insurance, unless there is a specific exception for access in the title policy. You should note that the title policy guarantees legal success. You may have legal access on one side of a project, but you may also want to assure access through an easement on another side of the project (including such attributes as width, location, etc.). In that case, the legal description would need to be modified to not only include the project, but also the requisite easement.

If you have any questions, please contact the Business and Industry Division Processing Branch, (202) 690-4103.

(Signed by Peter Thomas) for

JOHN ROSSO
Administrator
Rural Business-Cooperative Service

EXPIRATION DATE:
October 1, 2004

FILING INSTRUCTIONS:
Community/Business Programs